AIR POUCH — PRIORITY — UNCLASSIFIED (Security Classification)

DO NOT TYPE IN THIS SPACE
714.00(W)/3-2753
F790004-1311

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 853 DESP. NO. — March 27, 1953

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : -

Action Assigned to DNE MAR 27 1953

Action Taken

5 For Dept. Use Only EI	ACTION CLI	DEPT. REP ARA E I IBS IFI IPS RE 3-31-53
	REC'D MAR 30	INFO OTHER AG COMM FRB LAB TAR TR XMB ARMY NAVY AIA OSD

SUBJECT: WEEKA NO. 13 - ECONOMIC SECTION Action Office Symbol IAD

Name of Officer Hinkley

Direction to DC/R

SECTION II

DECLASSIFICATION DATE 113078 PER Ehmann OFFICE ARA FADRC FOI CASE NO. 740332

This Document Must Be Returned To

714.00(W)/3-2753 LWC

Summary

There were indications this week that the Government was coming face to face with some of the practical obstacles to its ambitious and hastily-planned programs. Sr. Roberto FANJUL, Minister of Economy and Labor, announced the discarding of the PETENSA Corporation to exploit hardwoods in the Department of El Petén and the Cabinet was considering proposed amendments to the Agrarian Reform Law, one of which appeared to have been prompted by the reluctance of private investors to operate the Government-owned and intervened coffee and sugar mills in partnership with the Government. Sr. Gregorio PREM Beteta, Minister of Finance, recommended to Congress that the proposed real estate tax rates be reduced and Sr. Julio ESTRADA de la Hoz, Chairman of the Congressional Finance Committee, said that the new taxes should be based on "the realities of the country"

DEPARTMENT OF STATE RECEIVED MAR 30 1953

PETENSA

Sr. Roberto Fanjul, Minister of Economy, this week announced the formal shelving of the widely publicized proposal for a Government-private corporation (PETENSA) to exploit the hardwood resources of the Department of El Petén (WEEKA No. 9). He stated that it had not been possible to obtain general assent for the plan and the Government had therefore decided to have further studies made by the Production Development Institute (INFOP).

At present the only logging in the Petén is financed by large United States importers and there has been criticism that Guatemala is not receiving a fair return for the

EHHiller/dkp (3/26/53) REPORTER — UNCLASSIFIED (Security Classification)

FILED MAY 11 1953

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

UNCLASSIFIED

Encl. No.
Desp. No.
From

F790004-1312

lumber exported. The INFOP may therefore decide to finance the loggers and market their product as it has done in the case of chicle since the United States chicle companies were forced to withdraw in 1949. However, it will be recalled that the chicle industry's future has been rendered uncertain because high taxes and costs have apparently priced Guatemalan chicle out of the market (WEEKA No. 30).

Agrarian Reform

One of the amendments to the Agrarian Reform Law which Major Alfonso MARTINEZ, Chief of the National Agrarian Department (DAN), proposed to the Cabinet (Section I) would transfer to the Production Development Institute (INFOP) the coffee and sugar mills which are not taken over from the National Farms (FN) before its scheduled June 30 liquidation by the Government-private companies envisaged in Article 28 of that Law. INFOP would receive 10 percent of the profits from the mills it would operate while 30 percent would be assigned to the projected National Agrarian Bank (BAN) and 60 percent would go towards amortizing the agrarian bonds.

Article 28 of the Agrarian Reform Law provided for the formation of companies with 51 percent Government and 49 percent private capital to operate the Government-owned and intervened coffee and sugar mills. However, only a few private investors have indicated interest in such companies and the Executive apparently feels that INFOP is the Government organization most qualified to administer the properties. INFOP was originally established as an agency to encourage private economic development through technical and financial assistance but this would not be the first time that it has been used for purposes at variance with that concept.

Taxes

Sr. Gregorio Prem Beteta, Minister of Finance and Public Credit, told the press that he had recommended downward revision of the real estate tax rates listed in one of the four tax measures which he sent to Congress last week (WEEKA No. 12). Sr. Prem said that although the new taxes were absolutely necessary to finance the 1953-4 public works program, the Ministry had taken into

UNCLASSIFIED

Desp. No. 853
From Guatemala

RESTRICTED
UNCLASSIFIED

Encl. No.
Desp. No.
From

P790004-1313

account the public criticism and further study had indicated the feasibility of reducing the property tax rates. Sr. Julio Estrada de la Hoz, Chairman of the Finance Committee of Congress, agreed that the real estate tax bill should be revised and said that all of the new taxes should be based on "a more detailed study of the realities of the country".

William L. Krieg
Chargé d'Affaires ad interim

UNCLASSIFIED